

**TOWNSHIP OF MELLEN**  
**AUDITED FINANCIAL STATEMENTS**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**AND SUPPLEMENTAL REPORT**  
**YEAR ENDED MARCH 31, 2011**

RAYMOND L. PAYMENT  
CERTIFIED PUBLIC ACCOUNTANT  
Escanaba, Michigan

## CONTENTS

	<u>Page</u>
Audited Financial Statements:	
Independent Auditor's Report .....	3
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government –wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Fund .....	13
Reconciliation of the Balance Sheet of the Governmental Fund with the Statement of Net Assets .....	14
Statement of Cash Revenues, Expenditures and Changes in Fund Balance – Governmental Fund.....	15
Combined Statement of Fiduciary Net Assets- Fiduciary Funds.....	16
Notes to the Financial Statements.....	18
Required Supplemental Information:	
Budgetary Comparison Schedules – Governmental Fund .....	24
Other Financial Information:	
Schedule of Expenditures – General Fund.....	26
Fiduciary Funds- Statement of Changes in Assets and Liabilities.....	28
Supplemental Report:	
Report on Compliance and Other Matters Based on an Audit of Financial Statements .....	A-1
Schedule of Findings .....	B-1

# **RAYMOND L. PAYMENT**

**CERTIFIED PUBLIC ACCOUNTANT**

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Stephenson, MI 49887

September 1, 2011

## **Independent Auditor's Report**

Supervisor and Members of the Board  
Township of Mellen  
Menominee County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining funds information of the Township of Mellen, as of and for the year ended March 31, 2011, which collectively, comprises the basic financial statements of the Township of Mellen as listed in the table of contents. These financial Statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

The general purpose financial statements referred to above do not include the fixed assets which should be included to conform to generally accepted accounting principles. The amount that should be recorded in the general fixed asset account is not known.

In my opinion, except for the effects of the omission of the general fixed assets, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Mellen Township as of March 31, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements. The accompanying Other Financial Information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Ray. Payment  
Certified Public Accountant

TOWNSHIP OF MELLEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended March 31, 2011

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### **Management's Discussion and Analysis**

This section of the Township of Mellen's annual financial report presents my discussion and analysis of the Township's performance during the year ended March 31, 2011. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement NO. 34 (GASB 34) *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending March 31, 2011.

### **Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most small private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. These activities are funded primarily by property taxes and by state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equal the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on revenue less expense basis. It shows the operating results for a given year of the Township. Any excess of revenues over expenditures result in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future need of the Township.

### **Fund Financial Statements**

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as the major funds is the General Fund.

Governmental funds are accounted for by the modified cash basis method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

TOWNSHIP OF MELLEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Fund Financial Statements (Continued)**

Although the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, there are no current year differences between the two types of statements.

Fiduciary funds, such as the Trust and Agency and Tax Collection Fund, are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

TOWNSHIP OF MELLEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements – Condensed Financial Information**

Statement of Net Assets

The following is a March 31, 2011 condensed statement of net assets with a detailed analysis of the statement below.

	<u>Governmental Activities</u>	
	<u>March 31,</u>	
	<u>2010</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and CD's	\$ 400,342	\$ 403,301
Receivables – property taxes	<u>4,213</u>	<u>3,531</u>
Total Current Assets	<u>\$ 404,555</u>	<u>\$ 406,832</u>
Total Assets	<u>\$ 404,555</u>	<u>\$ 406,832</u>
LIABILITIES		
Loan payable – U.S.D.A.	\$ <u>0</u>	\$ <u>115,000</u>
Total Liabilities	<u>0</u>	<u>115,000</u>
Total Net Assets	<u>\$ 404,555</u>	<u>\$ 291,832</u>

The Township's total net assets are \$291,832 at March 31, 2011.

TOWNSHIP OF MELLEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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**Government-wide Financial Statements – Condensed Financial Information**

Statement of Net Assets (Continued)

The total unrestricted net assets are \$291,832 as of March 31, 2011. This is the net accumulated result of the current and past years' operations. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at March 31, 2011.

**Statement of Activities**

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended March 31, 2011.

	<u>Governmental Activities</u>	
	<u>March 31,</u>	
	<u>2010</u>	<u>2011</u>
Revenue:		
Program Revenues:		
Charges for services	\$ 4,035	\$ 3,805
Operating grants and contributions	3,535	53,675
General Revenues:		
Taxes	47,067	46,981
State grants	92,384	84,762
Interest and rents	9,475	4,619
Other revenue	<u>6,364</u>	<u>4,667</u>
Total Revenue	\$ 162,860	\$ 198,509
Program expenses – Governmental activities	<u>109,258</u>	<u>311,232</u>
Increase (Decrease) in Net Assets	<u>\$ 53,602</u>	<u><u>\$(112,723)</u></u>

The Township had an overall decrease in net assets of \$112,723 for the year ended March 31, 2011. The Township's revenues totaled \$198,509.



TOWNSHIP OF MELLEEN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Statement of Activities (Continued)**

The Township's total cost to fund governmental activities was \$311,232. A majority of these costs were funded by property taxes and state grants and loans. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs. The major expenditure was fire department equipment and fire truck for \$191,798.

**Governmental Fund Budgetary Items**

A schedule showing the Township's final budget and the actual results are included as required supplementary information in the financial section of the audit report.

**Capital Assets**

At March 31, 2011 the Township did not maintain a schedule of fixed assets.

**LONG-TERM DEBT**

The Township had outstanding debt at March 31, 2011 of \$115,000 to U.S.D.A. This loan was paid off June 1, 2011 and, therefore, classified as short-term debt.

**Future Considerations**

The change in state aid payments along with state budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend its funding and leave the Township with a positive Fund Balance.

**Contacting the Township**

If you have any questions about this report or need additional information, contact the Township offices.

**BASIC  
FINANCIAL  
STATEMENTS**

TOWNSHIP OF MELLEN  
STATEMENT OF NET ASSETS

March 31, 2011

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ASSETS	
CURRENT ASSETS:	
Cash and CD's	\$ 403,301
Receivables - property taxes	<u>3,531</u>
TOTAL CURRENT ASSETS	<u>\$ 406,832</u>
TOTAL ASSETS	<u>\$ 406,832</u>
LIABILITIES	
Loan payable – U.S.D.A.	<u>\$ 115,000</u>
NET ASSETS	<u>\$ 291,832</u>
Unrestricted	<u>\$ 291,832</u>
TOTAL NET ASSETS	<u>\$ 291,832</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MELLEN  
STATEMENT OF ACTIVITIES

March 31, 2011

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:				
Legislative and General Government	\$ 84,674	\$ 0	\$ 0	\$ ( 84,674)
Public Safety	202,082	0	48,500	( 153,582)
Public Works	12,210	0	0	( 12,210)
Other functions	<u>12,266</u>	<u>3,805</u>	<u>5,175</u>	<u>( 3,286)</u>
Total Governmental Activities	\$ 311,232	\$ 3,805	\$ 53,675	<u>\$ ( 253,752)</u>
General revenues:				
Taxes				\$ 46,981
State and federal grants				84,762
Interest and rents				4,619
Other revenue				<u>4,667</u>
Total General Revenues				<u>141,029</u>
Changes in Net Assets				\$ ( 112,723)
Net assets at April 1, 2010				<u>404,555</u>
Net assets at March 31, 2011				<u>\$ 291,832</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MELLE  
COMBINED BALANCE SHEET – CASH BASIS  
GOVERNMENTAL FUNDS

March 31, 2011

	<u>Governmental Fund Type</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 403,301	\$ 0	\$ 403,301
Delinquent property taxes receivable	<u>3,531</u>	<u>0</u>	<u>3,531</u>
TOTAL ASSETS	<u>\$ 406,832</u>	<u>\$ 0</u>	<u>\$ 406,832</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Loan payable – U.S.D.A.	<u>\$ 115,000</u>	<u>\$ 0</u>	<u>\$ 115,000</u>
TOTAL LIABILITIES	<u>115,000</u>	<u>0</u>	<u>115,000</u>
Fund Balances:			
Unreserved and undesignated	<u>291,832</u>	<u>0</u>	<u>291,832</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 406,832</u>	<u>\$ 0</u>	<u>\$ 406,832</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MELLE  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND  
WITH THE STATEMENT OF NET ASSETS

March 31, 2011

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Total fund equity of governmental activities	<u>\$ 291,832</u>
Total net assets of governmental activities	<u>\$ 291,832</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MELLEN  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL TYPES

Fiscal Year Ended March 31, 2011

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES:			
Taxes	\$ 46,981	\$ 0	\$ 46,981
State shared revenue	81,737	0	81,737
Rent	300	0	300
Reimbursements and miscellaneous	10,192	0	10,192
Burial fees	0	3,805	3,805
Interest	4,319	0	4,319
U.S.D.A. Fire truck grant	<u>46,000</u>	<u>0</u>	<u>46,000</u>
TOTAL REVENUES	<u>189,529</u>	<u>3,805</u>	<u>193,334</u>
EXPENDITURES:			
Current:			
General government and legislative	84,674	0	84,674
Public safety	202,082	0	202,082
Highways and roads	12,210	0	12,210
Cemetery	0	8,980	8,980
Recreation	<u>3,286</u>	<u>0</u>	<u>3,286</u>
TOTAL EXPENDITURES	<u>302,252</u>	<u>8,980</u>	<u>311,232</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	( 112,723)	( 5,175)	( 117,898)
Other financing sources:			
Operating transfer in	<u>0</u>	<u>5,175</u>	<u>5,175</u>
Excess revenue and other financing sources over (under) expenditures and other uses	\$(112,723)	\$ 0	\$(112,723)
FUND BALANCE, April 1, 2010	<u>404,555</u>	<u>0</u>	<u>404,555</u>
FUND BALANCE, March 31, 2011	<u>\$291,832</u>	<u>\$ 0</u>	<u>\$ 291,832</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MELLE  
COMBINED STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS

March 31, 2011

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ASSETS	
	Cemetery Perpetual Care <u>Fund</u>
Cash in bank	\$ <u>71,399</u>
NET ASSETS	
Net Assets – Restricted for cemetery use	\$ <u>71,399</u>

The accompanying notes are an integral part of the financial statements.



**NOTES**  
**TO**  
**FINANCIAL STATEMENTS**

TOWNSHIP OF MELLEN  
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Governmental-wide Financial Statements

The Township government-wide financial statements (State of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township activities are considered to be governmental activities. There was no inter fund activity to be eliminated in the Governmental-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The Township reports the General and Special Revenue Funds as Major Funds.

TOWNSHIP OF MELLEN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Types

General Fund and Special Revenue Funds – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources. The Special Revenue Funds account for revenues and expenditures to be used as per legal or regulatory provisions.

Fiduciary Fund Types

Cemetery Perpetual Care Fund is used to account for assets held by the Township in a trustee capacity. This fund is custodial in nature and does not involve measurement of results of operations.

Basis of Accounting

Government-wide Financial Statements

The Governmental-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenue include charges for services that are fee and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, non restricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

Fund-based Financial Statements

Governmental fund types and Agency funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current general expendable financial resources, except un-matured interest on general long-term debt is recorded when due. The Township has no long-term debt.

TOWNSHIP OF MELLEN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for the Township. For budgetary purposes, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year.

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County. The Township bills and collects its own property taxes and also collects current rolls for the County, Intermediate School District and local school district.

Capital Assets and Depreciation

The Township does not maintain a schedule of fixed assets required by general governmental accounting standards.

Restricted Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Township had no restricted assets at March 31, 2011.

Unrestricted Net Assets

Net assets not meeting either criterion above are considered unrestricted.

Fund Equity

The unreserved fund equity for governmental funds represents the amount available for budgeting future operations.

TOWNSHIP OF MELLEN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or with an investment broker who purchased certificates of deposit insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2011 total cash and certificates of deposit as reported by banks and investment broker amounted to \$474,700, of which \$250,000 was covered by depository insurance.

NOTE C – PROPERTY TAXES

A summary of the 2010 tax rolls follows:

<u>Taxing Unit</u>	<u>Mills</u>	<u>Spread</u>	<u>Delinquent</u>	<u>Collected</u>
County	8.7578	\$ 293,620	\$ 19,372	\$ 274,248
State education tax	6.0000	200,986	12,827	188,159
Local school	19.1716	303,496	21,845	281,651
Intermediate school	2.2437	75,212	5,652	69,560
Township – General	<u>1.4000</u>	<u>46,981</u>	<u>3,531</u>	<u>43,450</u>
TOTALS	<u>37.5731</u>	<u>\$ 920,295</u>	<u>\$ 63,227</u>	<u>\$ 857,068</u>
Taxable Valuation				<u>\$33,497,000</u>

NOTE D – PENSION PLAN

The Township provides pension benefits for its officers and employees through a defined contribution plan through the Municipal Retirement Systems, Inc.

At March 31, 2011 there were six employees vested in the plan. Participants are vested immediately in an individual flexible annuity. The plan was started in lieu of paying social security on officers' wages.

The contribution rate for the Township is 12 percent of each employee's wage and is funded by the Township. The total cost of the plan for the year was \$5,878.

TOWNSHIP OF MELLEN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE E – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Township had no funds with a deficit as of March 31, 2011.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township was in substantial compliance with the Act.

NOTE F – PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the year ended March 31, 210, follows:

Receipted from charging administrative fee	\$ 2,935
Cost incurred	<u>(8,163)</u>
Excess of costs	<u><u>\$ (5,228)</u></u>

NOTE G – RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2011 will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provisions for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE H – LOAN PAYABLE – U.S.D.A.

The Township received a loan during the year in the amount of \$115,000 for the purchase of a fire truck. The loan was repaid June 1, 2011 in full to the U.S.D.A.

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

TOWNSHIP OF MELLEN  
COMBINED STATEMENT OF CASH REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUNDS

Fiscal Year Ended March 31, 2011

	<u>General Fund</u>		
	Budget Amount	Actual Amount	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 45,000	\$ 46,981	\$ 1,981
State shared revenues	82,000	81,737	( 263)
Rent	700	300	( 400)
Reimbursements and miscellaneous	375	10,192	9,817
Burial fees	0	0	0
Interest	8,000	4,319	( 3,681)
U.S.D.A. fire truck grant	<u>46,000</u>	<u>46,000</u>	<u>0</u>
TOTAL REVENUES	<u>182,075</u>	<u>189,529</u>	<u>7,454</u>
EXPENDITURES:			
Current:			
General Government	126,332	84,674	41,658
Public Safety	214,177	202,082	12,095
Highways and roads	50,600	12,210	38,390
Cemetery	0	0	0
Recreation and contingencies	<u>18,800</u>	<u>3,286</u>	<u>15,514</u>
TOTAL EXPENDITURES	<u>409,909</u>	<u>302,252</u>	<u>107,657</u>
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	(227,834)	(112,723)	115,111
Other financing sources (uses):			
Operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>
Excess revenue and other financing sources over (under) expenditures and other uses	(227,824)	(112,723)	\$ 115,111
FUND BALANCE, April 1, 2010	<u>404,555</u>	<u>404,555</u>	<u>0</u>
FUND BALANCE, March 31, 2011	<u>\$ 176,721</u>	<u>\$291,832</u>	<u>\$ 115,111</u>

The accompanying notes are an integral part of the financial statements.



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**Special Revenue Funds**

Budget Amount	Actual Amount	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
12,200	3,805	( 8,395)
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>12,200</u>	<u>3,805</u>	<u>( 8,395)</u>
0	0	0
0	0	0
0	0	0
15,900	8,980	6,920
<u>0</u>	<u>0</u>	<u>0</u>
<u>15,900</u>	<u>8,980</u>	<u>6,920</u>
( 3,700)	( 5,175)	1,475
<u>3,700</u>	<u>5,175</u>	<u>1,475</u>
\$ 0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**OTHER  
FINANCIAL  
INFORMATION**

TOWNSHIP OF MELLE  
SCHEDULE OF EXPENDITURES – GENERAL FUND

Fiscal Year Ended March 31, 2011

LEGISLATIVE AND GENERAL GOVERNMENT

Town ship Board:

Salaries - Trustees	S 2,600
Payroll taxes and payroll expenses	2,670
Printing and publication	2,452
Insurance	7,740
Miscellaneous and dues	1,629
Audit and professional services	4,881
Community promotion and rescue squad	1,742
Retirement	<u>5,878</u>
TOTAL	<u>29,592</u>

Supervisor:

Salary	<u>7,000</u>
TOTAL	<u>7,000</u>

Zoning and Board of Review:

Salaries	<u>919</u>
TOTAL	<u>919</u>

Clerk:

Salaries	7,500
Supplies	<u>490</u>
TOTAL	<u>7,990</u>

Assessor:

Professional fees	12,202
Supplies and tax statement preparation	<u>1,159</u>
TOTAL	<u>13,361</u>

Treasurer:

Salaries	8,000
Supplies	<u>163</u>
TOTAL	<u>8,163</u>

Elections:

Salaries	1,130
Supplies and professional services	<u>1,342</u>
TOTAL	<u>2,472</u>

Landfill:

Landfill inspection	<u>200</u>
TOTAL	<u>200</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MELLE  
SCHEDULE OF EXPENDITURES – GENERAL FUND

Fiscal Year Ended March 31, 2011

Town Hall:	
Salaries	\$ 276
Fuel	4,856
Repairs and maintenance	1,416
Telephone	507
Utilities and street lights	6,612
Equipment and construction	<u>1,310</u>
TOTAL	<u>14,977</u>
 TOTAL LEGISLATIVE AND GENERAL GOVERNMENT	 <u>84,674</u>
 <u>PUBLIC SAFETY</u>	
 Fire Department:	
Salaries	2,200
Repairs and maintenance	3,372
Insurance	2,855
Equipment and fire truck	191,798
Dues and miscellaneous	<u>1,857</u>
 TOTAL FIRE PROTECTION	 <u>202,082</u>
 <u>HIGHWAY AND ROADS</u>	 <u>12,210</u>
 <u>RECREATION</u>	
 Township Park:	
Salaries	791
Repairs and maintenance	1,898
Lights and miscellaneous	<u>597</u>
 TOTAL RECREATION	 <u>3,286</u>
 TOTAL EXPENDITURES	 <u>\$ 302,252</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MELLE  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND TYPES – TAX FUND

March 31, 2011

<u>CURRENT TAX COLLECTION FUND</u>	Balance at April, 1, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance at March 31, <u>2011</u>
<u>ASSETS</u>				
Cash	\$ <u>0</u>	\$ <u>857,964</u>	\$ <u>857,964</u>	\$ <u>0</u>
TOTAL ASSETS	\$ <u>0</u>	\$ <u>857,964</u>	\$ <u>857,964</u>	\$ <u>0</u>
<u>LIABILITIES</u>				
Due to other taxing units:				
Township of Mellen	\$ 0	\$ 46,405	\$ 46,405	\$ 0
Menominee County	0	274,335	274,335	0
Menominee County Intermediate School District	0	69,576	69,576	0
State of Michigan – S.E.T.	0	185,967	185,967	0
Stephenson Area Schools	<u>0</u>	<u>281,681</u>	<u>281,681</u>	<u>0</u>
TOTAL LIABILITIES	\$ <u>0</u>	\$ <u>857,964</u>	\$ <u>857,964</u>	\$ <u>0</u>

The accompanying notes are an integral part of the financial statements.

# RAYMOND L PAYMENT

CERTIFIED PUBLIC ACCOUNTANT

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S 216 Menominee Street  
Stephenson, MI 49887

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

Members of the Board  
Township of Mellen  
Menominee County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the township of Mellen as of and for the year ended March 31, 2011, which collectively comprises the Township of Mellen's basic financial statements and have issued my report thereon dated September 1, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Township of Mellen's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Mellen's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Township of Mellen's internal control over financial reporting.

My consideration on internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Mellen's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Township of Mellen's financial statements that is more than inconsequential will not be prevented or detected by the

Township of Mellen's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs as item 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Mellen's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings I consider item 07-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Mellen's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Township of Mellen's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Township of Mellen's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Township Board, management and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ray Payment  
Certified Public Accountant

SCHEDULE OF FINDINGS  
TOWNSHIP OF MELLEN

Year Ended March 31, 2011

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SIGNIFICANT DEFICIENCIES

(07 – 1) Ability to Prepare Financial Statements and Related Note Disclosures

Criteria – Local units of government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition – Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The Township relies on its auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the Township.

Effect – I consider this condition to be a significant deficiency.

Cause – The Township does not have staff familiar enough with accounting standards to be able to draft the Township's financial statements and related footnotes.

Recommendation – The hiring of additional personnel to prepare the financial statements would not be cost effective. Member of the Board should remain involved in the financial reporting process to provide oversight and independent review of functions.

Management's Response – The Township agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.